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CHCN COMMUNICATIONS


FIRST ANNUAL REPORT © 1972

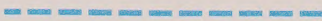



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CFCN Communications Limited

Total Revenue 

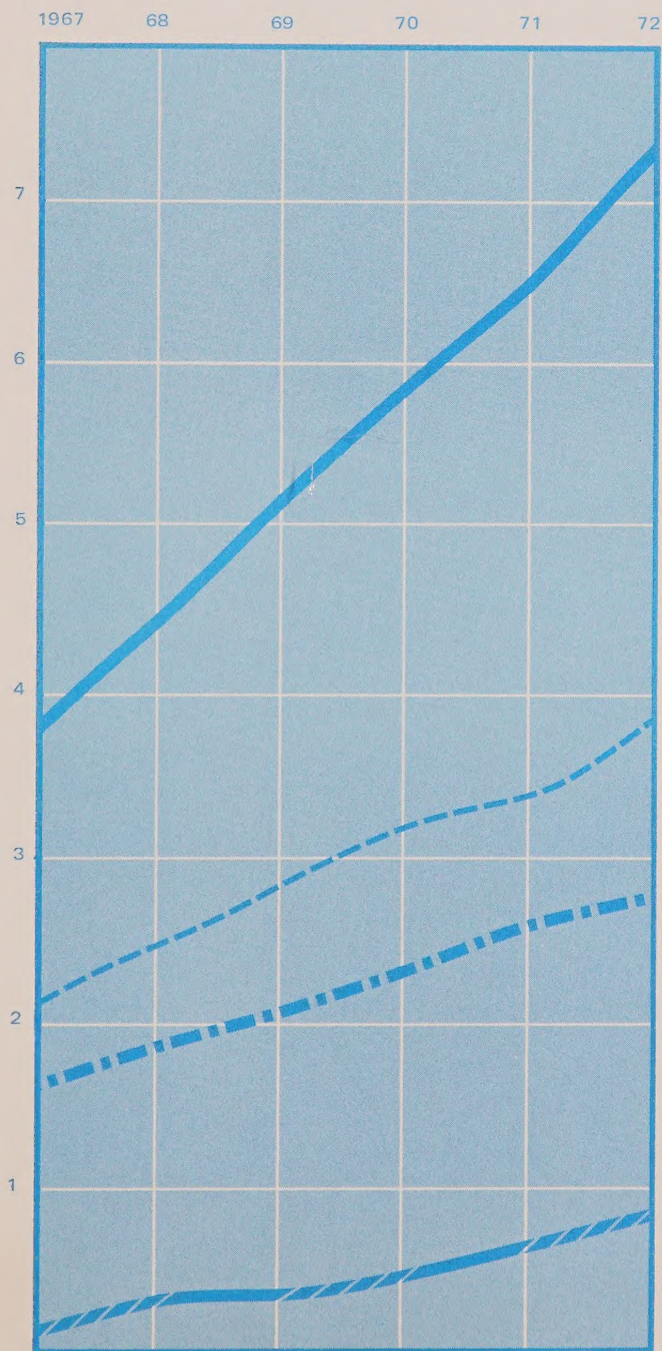
Television 

Radio 

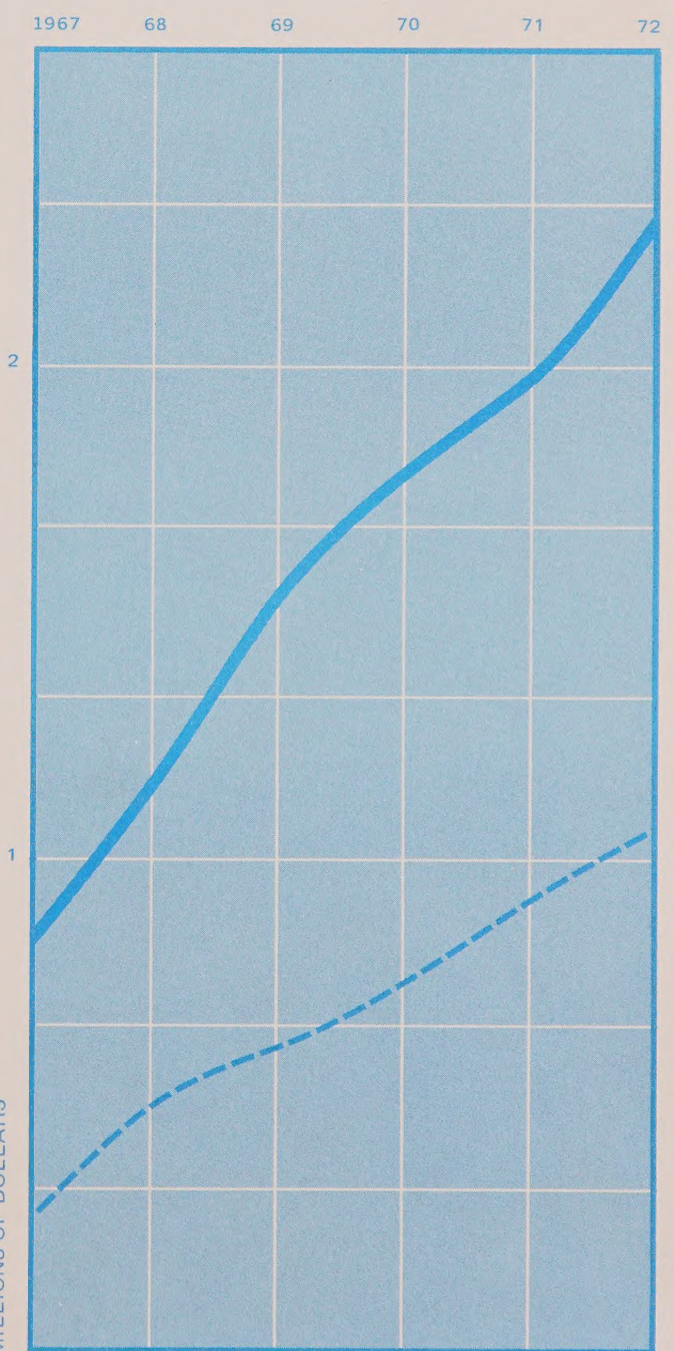
Production and Other 

Operating Income before Depreciation and
Income taxes. 

Net Income 



MILLIONS OF DOLLARS



The year at a glance

Highlights

	1972 Consolidated	1971 Combined constituent companies	Percent change
Total revenue	\$ 7,129,000	\$ 6,379,000	11.8
Income before income Taxes and depreciation	2,294,000	2,011,000	14.1
Depreciation	293,000	263,000	11.4
Income taxes	954,000	868,000	9.9
Net income	1,047,000	880,000	19.0
Earnings per share	69.7 ¢	58.7 ¢	19.0
Dividends	330,000	301,000	-
Dividends per share	22 ¢		-
Shareholders' equity	13,283,000	12,566,000	5.7
Working capital	2,041,000	1,480,000	37.9
Capital expenditures	375,000	97,000	-

Disposition of revenue

	1972 Consolidated	Percent	1971 Combined constituent companies	Percent
Total revenue	7,129,000	100.0	6,379,000	100.0
Operating expenses	4,835,000	67.8	4,386,000	68.8
Depreciation	293,000	4.1	263,000	4.1
Income taxes	954,000	13.4	868,000	13.6
Extraordinary item	-	-	(18,000)	(.3)
Dividends	330,000	4.6	301,000	4.7
Retained in company	717,000	10.1	579,000	9.1

Report to the shareholders

Your directors are pleased to present to you the results of CFCN Communications Limited's first year as a public company.

Net income in 1972 was \$1,047,000, an increase of 19% over the previous year's \$880,000. Income per share increased from 58.7c in 1971 to 69.7c in 1972. In December of 1972, your directors approved an increase in the quarterly dividend from 7c to 8c per share.

Our profit position exceeded forecasts despite heavy increases in charges to fully affiliated stations due to a reorganization at CTV, and the loss of cigarette advertising on radio.

CFCN Television

Our television station maintained its dominant position in the Calgary market.

Local and regional revenues were well ahead of budget. This, in addition to tight control of expenses, enabled us to improve considerably on profit.

Our Lethbridge television operation also improved its revenue position.

Production facilities have been upgraded with additional equipment. Strong attention has been directed toward production of commercials, with a resulting increase of 23% in revenues.

CFCN Television is continuing negotiations with the two Calgary cable companies and the Canadian Radio-Television Commission for an agreement to institute deletion and substitution of Canadian commercials on incoming U.S. signals. We expect to institute deletion by the fall of 1973.

The CRTC expects CFCN-TV to provide an alternate service to the Medicine Hat area. We are in the discussion stage with the existing broadcaster in Medicine Hat and we hope to be applying to the CRTC to provide that service in the very near future.

Greatlakes Broadcasting System

CHYM Radio, Kitchener-Waterloo, showed continued growth due to both programming success and market expansion. Total revenue for CHYM-AM and FM increased by 23%. There were two general rate increases on AM and the establishment late in the year of a separate sales force for FM.

A major renovation and redecorating program has given CHYM one of the most modern broadcasting facilities in Canada.

CHYM increased its power to 24,000 watts, raised its antenna height, and is operating in stereo.

CFCO Radio, Chatham-Wallaceburg, experienced a revenue increase of 13.9% over the previous year. The station's creative department was awarded the Broadcast Executives' Society Gold Microphone and four Merit Certificates. That brings to 13 the number of creative awards won by CFCO for commercial excellence in the past three years.

CFCO won the RTNDA Dan Award for news excellence in 1972.

Plans have been filed before the CRTC for a 50,000-watt FM station. Technical data has been approved by the CRTC, and program data will be revised, pending the outcome of the FM guidelines. CFCO sees FM as a natural growth in the market.

CFCN Radio

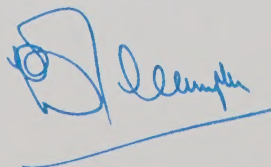
CFCN Radio celebrated its 50th anniversary in 1972.

Total revenues were below projections. However, local-market sales showed an increase over the previous year.

Programming adjustments have been effected in order to improve the demographics delivered by CFCN Radio.

CFCN's news department was the recipient of a Charlie Award at the RTNDA annual meeting. The development of specials and day-to-day reporting by Calgary's largest and best-equipped news room continues to give us the most complete news service in the market.

Chairman

A handwritten signature in blue ink, appearing to be "J. Campbell", written over a horizontal line.

President

A handwritten signature in blue ink, appearing to be "J. Campbell", written over a horizontal line.

Corporate information

Directors and officers

CFCN COMMUNICATIONS LIMITED, CALGARY

*Donald G. Campbell
Chairman of the Board
*Edward W. Chapman
President
*J. Lin Craig
*Donald F. Hunter
*Robert W. Lamb
*J. Edward O'Connor
Gerald J. Luciani
Secretary-Treasurer

CFCN TELEVISION LIMITED, CALGARY

*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald G. Campbell
*Donald F. Hunter
*James A. Love
*J. Edward O'Connor
Herbert G. Marshall
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

**Directors*

THE VOICE OF THE PRAIRIES LIMITED, CALGARY

*Edward W. Chapman
President
*Robert W. Lamb
Vice-President
*Donald G. Campbell
*Donald F. Hunter
*William N. Love
*J. Edward O'Connor
Donald Reiffenstein
Vice-President/Manager
Gerald J. Luciani
Vice-President/Finance and Secretary

GREATLAKES BROADCASTING SYSTEM LIMITED, KITCHENER- CHATHAM

*Donald F. Hunter
Chairman of the Board
*Donald G. Campbell
President
*Lorne R. Clark
Treasurer
*W. Gill Bailey
D.C. Trowell
Executive Vice-President
Dorman G. Ulens
Secretary

Banker

The Toronto-Dominion Bank

Auditors

Clarkson Gordon & Co.

Transfer agent and registrar

The Royal Trust Company; Toronto,
Montreal, Winnipeg, Calgary, Regina, Vancouver

Stock exchange listings

Toronto Stock Exchange
Montreal Stock Exchange

Auditors' report

To the Shareholders of
CFCN Communications Limited

We have examined the consolidated statement of financial position of CFCN Communications Limited and its subsidiaries as at December 31, 1972, and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Canada
February 12, 1973

Clarkson, Gordon & Co.

Chartered Accountants

Consolidated statement of income and retained earnings

	1972	1971 (Note 1)
Revenues:		
Broadcasting —		
Television	\$3,845,000	\$3,349,000
Radio	2,644,000	2,499,000
Production and other	<u>595,000</u>	<u>507,000</u>
	7,084,000	6,355,000
Add income from short term investment	<u>45,000</u>	<u>24,000</u>
	7,129,000	6,379,000
Operating expenses	<u>4,833,000</u>	<u>4,373,000</u>
Operating income before depreciation and interest	<u>2,296,000</u>	<u>2,006,000</u>
Deduct:		
Depreciation	293,000	263,000
Interest	<u>2,000</u>	<u>13,000</u>
	<u>295,000</u>	<u>276,000</u>
Income before income taxes and extraordinary item	2,001,000	1,730,000
Income taxes	<u>954,000</u>	<u>868,000</u>
Income before extraordinary item	1,047,000	862,000
Extraordinary item —		
Income tax reduction resulting from carry-forward of prior years' losses		<u>18,000</u>
Consolidated net income for the year	<u>1,047,000</u>	<u>\$ 880,000</u>
Retained earnings at beginning of year	<u>34,000</u>	
	1,081,000	
Dividends paid or payable	<u>330,000</u>	
Retained earnings at end of year	<u>\$ 751,000</u>	
Earnings per common share	<u>69.7¢</u>	

(See accompanying notes)

CFCN Communications Limited

and its subsidiaries

Consolidated statement of financial position

Assets

	1972	1971
CURRENT:		
Cash and short term investments	\$ 1,195,000	\$ 210,000
Accounts receivable	1,413,000	1,446,000
Due from parent company, Maclean-Hunter Limited		244,000
Prepaid expenses	146,000	114,000
Total current assets	<u>2,754,000</u>	<u>2,014,000</u>
INVESTMENTS AT COST (Note 2)	<u>121,000</u>	<u>363,000</u>
FIXED ASSETS AT COST (Note 3)		
Land	308,000	308,000
Buildings	518,000	512,000
Broadcasting equipment	3,642,000	3,322,000
	<u>4,468,000</u>	<u>4,142,000</u>
Less accumulated depreciation	<u>2,486,000</u>	<u>2,242,000</u>
	<u>1,982,000</u>	<u>1,900,000</u>
EXCESS OF COST OF ACQUIRING SUB- SIDIARIES OVER THE VALUE OF NET TANGIBLE ASSETS ACQUIRED	<u>9,379,000</u>	<u>9,379,000</u>
	<u>\$14,236,000</u>	<u>\$13,656,000</u>

Liabilities

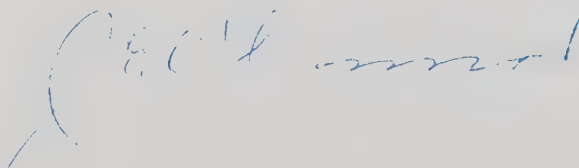
	1972	1971
CURRENT:		
Accounts payable	\$ 331,000	\$ 435,000
Income taxes payable	262,000	99,000
Dividend payable	120,000	
Total current liabilities	<u>713,000</u>	<u>534,000</u>
LONG TERM BANK LOAN		<u>340,000</u>
DEFERRED INCOME TAXES	<u>240,000</u>	<u>216,000</u>
SHAREHOLDERS' EQUITY		
Share capital (Notes 4 and 5)		
Authorized - 3,000,000 common shares without par value		
Issued - 1,500,000 common shares	12,532,000	12,532,000
Retained earnings	<u>751,000</u>	<u>34,000</u>
	<u>13,283,000</u>	<u>12,566,000</u>
	<u>\$14,236,000</u>	<u>\$13,656,000</u>

On behalf of the Board:

Director



Director



(See accompanying notes)

Consolidated statement of source and application of funds

	1972	1971 (Note 1)
SOURCE OF FUNDS:		
Operations —		
Consolidated net income for the year	\$1,047,000	\$ 880,000
Add:		
Depreciation	293,000	263,000
Deferred income taxes	<u>24,000</u>	<u>28,000</u>
Funds provided by operations	1,364,000	1,171,000
Proceeds on realization of investment	<u>242,000</u>	<u> </u>
Total funds provided	<u>1,606,000</u>	<u>1,171,000</u>
 APPLICATION OF FUNDS:		
Additions to fixed assets (net)	375,000	97,000
Repayment of long term bank loan	340,000	
Purchase of investments		12,000
Dividends paid or payable		
By constituent companies		301,000
By CFCN Communications Limited	<u>330,000</u>	<u> </u>
Total funds applied	<u>1,045,000</u>	<u>410,000</u>
 Increase in working capital	<u>\$ 561,000</u>	<u>\$ 761,000</u>

(See accompanying notes)

Notes to consolidated financial statements

1. Principles of consolidation

The Company was incorporated on December 3, 1971 and acquired all of the outstanding shares of the following companies on December 15, 1971:

CFCN Television Limited

CFCN Productions Limited (a wholly owned subsidiary)

The Voice of The Prairies Limited

Greatlakes Broadcasting System Limited.

For comparative purposes, the 1971 amounts shown in the accompanying consolidated statements of income and retained earnings and source and application of funds have been compiled from the 1971 financial statements of the constituent companies. Certain of the 1971 accounts have been reclassified to conform to the method of presentation adopted by the Company in 1972.

2. Investments

The investment of \$121,000 represents 5,512 Class A preferred shares, 53,300 Class B preferred shares and 100 common shares in CTV Television Network Ltd.

3. Fixed assets and depreciation

The companies provide depreciation on a straight-line basis at the following rates which are designed to write off the assets concerned over their estimated useful lives:

Buildings	5%
Broadcasting equipment	10%

4. Share capital

During the year the Company subdivided its 1,000 authorized and issued common shares without par value into 1,500,000 common shares without par value and increased its authorized capital by the creation of a further 1,500,000 common shares without par value, resulting in a total of 3,000,000 authorized common shares.

5. Share transfer restriction

The directors of the Company may refuse to register a transfer of shares in the capital of the Company if the registration of such transfer might in the opinion of the directors adversely affect the status of the Company or any of its subsidiaries to hold a broadcasting licence under the Broadcasting Act (Canada).

6. Lease obligations

Under leases expiring in the years 1973 to 1987 a subsidiary is required to make rental payments currently aggregating \$35,500 per annum.

7. Remuneration of directors and senior officers

The aggregate direct remuneration paid during the year to directors and senior officers was \$73,000.

Five-year summary (000's omitted)

	Consolidated 1972	Combined constituent companies			
REVENUE		1971	1970	1969	1968
Broadcasting					
Television	\$ 3,845	\$ 3,349	\$3,178	\$2,878	\$2,329
Radio	2,644	2,499	2,231	2,030	1,859
Production and Other	640	531	403	223	234
Total Revenue	<u>7,129</u>	<u>6,379</u>	<u>5,812</u>	<u>5,131</u>	<u>4,422</u>
Operating Expenses, except					
Depreciation	4,835	4,386	4,000	3,604	3,243
Operating Income	2,294	1,993	1,812	1,527	1,179
Less: Depreciation	293	263	287	276	237
Income Before Taxes	2,001	1,730	1,525	1,251	942
Income Taxes	954	868	803	652	470
Income Before Special Item	1,047	862	722	599	472
Extraordinary Item	-	18	23	29	31
Net Income	<u>1,047</u>	<u>880</u>	<u>745</u>	<u>628</u>	<u>503</u>
Net Income as a Percentage of					
Revenue	14.7	13.8	12.8	12.2	11.4
Net Flow of Funds from Operations	1,364	1,171	1,062	947	765
Dividends Paid	330	301	256	251	-
YEAR-END FINANCIAL POSITION					
Current Assets	\$ 2,754	\$ 2,014	\$ 1,485	\$ 1,418	\$ 1,031
Less: Current Liabilities	<u>713</u>	<u>534</u>	<u>1,038</u>	<u>1,574</u>	<u>1,286</u>
Working Capital	<u>2,041</u>	<u>1,480</u>	<u>447</u>	<u>(156)</u>	<u>(255)</u>
Working Capital Ratio	3.86:1	3.77:1	1.43:1	.90:1	.80:1
Investments	121	363	351	338	320
Fixed Assets -Net	1,982	1,900	1,811	1,906	1,852
Other Assets	-	-	-	2	16
Excess of Cost of Acquiring					
Subsidiaries over Value of Net					
Tangible Assets Acquired	9,379	9,379	491	491	491
Long Term Debt	-	340	210	210	472
Deferred Income Taxes	240	216	188	158	116
Shareholders Equity	13,283	12,566	2,702	2,213	1,836
Per Share Data (Based on 1,500,000					
Shares Outstanding)					
Net Income	69.7¢	58.7¢	49.6¢	41.8¢	33.5¢
Net Flow of Funds from					
Operations	90.9¢	78.1¢	70.8¢	63.1¢	51.0¢
Dividends Paid	22.0¢	-	-	-	-

such special productions booked to the CTV network for the last six months of 1972.

CFCO Radio, Chatham, is preparing an application to the CRTC to operate an FM station in its area. CHYM-FM, Kitchener-Waterloo, is still awaiting a decision on its application to increase its power and antenna height.

During the second quarter it was announced that CFCN TV had won the national "Charlie" award for enterprise and thoroughness in reporting spot news. CFCN TV and CFCN Radio also won regional "Charlie" awards.

Sincerely,



Chairman



President

CFCN
COMMUNICATIONS
LIMITED

Report for the six months
ended June 30, 1972

CFCN COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF INCOME (not audited)

	Three months ended June 30	
	1972	1971
Revenue:		
Broadcasting — Television.....	\$ 940	\$ 835
— Radio	721	683
Production and other	103	97
Total Revenue	<u>\$1,764</u>	<u>\$1,615</u>
Income before taxes.....	\$ 500	\$ 497
Income taxes	239	258
Consolidated net income	<u>\$ 261</u>	<u>\$ 239</u>
Dividends declared.....	\$ 105	—
Per share data:		
Consolidated net income	17.4¢	15.9¢
Dividends declared	7.0¢	—

	Six months ended June 30	
	1972	1971
	—\$000—	—\$000—
	\$1,875	\$1,571
	1,305	1,198
	130	153
	<u>\$3,310</u>	<u>\$2,922</u>
	\$ 895	\$ 765
	428	397
	<u>\$ 467</u>	<u>\$ 368</u>
	\$ 105	—
	31.1¢	24.5¢
	7.0¢	—

Dear Shareholder:

The second quarter results show revenues increased 9.2% to \$1,764,000 compared with \$1,615,000 for the three months ended June 30, 1971. Consolidated net income for the quarter was \$261,000 (17.4¢ per share), an increase of 9.2% over \$239,000 (15.9¢ per share) last year.

Revenue for the six months ended June 30, 1972, is \$3,310,000, an increase of 13.3% over \$2,922,000 last year. Consolidated net income for the six months is \$467,000 (31.1¢ per share) this year, an increase of 27% over \$368,000 (24.5¢ per share) for the first two quarters last year.

Your directors have declared an initial quarterly dividend of 7¢ per share, payable on July 27, 1972, to shareholders of record July 5, 1972.

Although the CRTC has turned down CFCN TV's application to provide alternative service to Red Deer, the company will continue to study television expansion potential in several other areas of Alberta. CFCN Communications Limited is also investigating expansion into nonregulated communications fields.

CFCN TV experienced an increase of 24% in programming costs in the quarter ended June 30, 1972, compared with the same period last year. The increase reflects an improvement in the quality of local and national content as we gear up for the fall schedule.

CFCN Productions has just completed a special featuring The Young Canadians and Lorne Green, to be seen on CTV early this fall. CFCN Productions produced the CFL All Star Game special televised throughout North America, and has 20 more

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (not audited)

	Six months ended June 30	
	1972	1971
	—\$000—	—\$000—
	\$467	\$368
	146	140
	<u>\$613</u>	<u>\$508</u>
	242	—
	<u>\$855</u>	<u>\$508</u>
	\$235	\$121
	312	—
	<u>\$547</u>	<u>\$121</u>
	308	387
	<u>\$855</u>	<u>\$508</u>

Source of Funds:

Operations—	
Consolidated net income.....	
Depreciation	
Total funds from operations.....	
Proceeds from sale of investment	
Total source of funds.....	

Application of Funds:

Additions to properties (net)	
Repayment of long-term debt	
Total application of funds.....	
Increase in working capital	